

Message Text

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ORIGIN EB-05

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FM SECSTATE WASHDC

TO AMEMBASSY SAN JOSE

AMEMBASSY QUITO

AMEMBASSY MEXICO

AMEMBASSY SANTO DOMINGO

INFO AMEMBASSY TOKYO

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY OTTAWA

USLO PEKING

C O N F I D E N T I A L STATE 207064

E.O. 11652: GDS

TAGS: ETRD, CS, EC, MX, DR, JA, FR, GW, CA, KS, TS, CH

SUBJECT:MUSHROOMS

"FOLLOWING IS A REPEAT

P 311320Z AUG 73

FM SECSTATE WASHDC

QUOTE: 1. SUMMARY: THE ADMINISTRATION HAS DECIDED TO
INITIATE DISCUSSIONS WITH THE ROC AND ROK TO RESTRAIN THE
GROWTH OF CANNED MUSHROOM EXPORTS TO THE U.S.

2. IN RECENT YEARS, THE SHARE OF IMPORTS OF CANNED MUSH-
ROOMS IN THE U.S. MARKET HAS GROWN FROM ABOUT A FIFTH TO
OVER A THIRD OF TOTAL SALES. KOREA AND TAIWAN HAVE
ACCOUNTED FOR NEARLY 90 PERCENT OF ALL U.S. IMPORTS. THIS
INCREASING MARKET PENETRATION IS UNDERLINED BY THE DOUBLING
OF IMPORTS FROM TAIWAN BETWEEN 1969 AND 1972 AND THE 16
FOLD INCREASE IN IMPORTS FROM KOREA DURING THE SAME PERIOD.

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3. DEMANDS FOR RELIEF FROM THE U.S. MUSHROOM CANNING INDUSTRY, BOTH TO CONGRESS AND THE EXECUTIVE BRANCH, BEGAN ABOUT TWO YEARS AGO. THEY INTENSIFIED IN THE WAKE OF THE SURGE IN IMPORTS WHICH OCCURRED IN 1972. IN THE FACE OF THIS DEVELOPMENT SEPARATE MEETINGS WERE HELD WITH REPRESENTATIVES OF ROC AND ROK EMBASSIES ON SEVERAL OCCASIONS IN 1972 AND EARLY 1973. IT WAS SUGGESTED TO THEM THAT

INDUSTRY PRESSURE WOULD FORCE THE CONGRESS TO TAKE LEGISLATIVE ACTION, WERE THERE TO BE NO ABATEMENT IN THE RATE OF INCREASE IN IMPORTS. BOTH EMBASSIES EXPRESSED GUARDED INTEREST IN A RESTRAINT ARRANGEMENT, BUT ONLY IF THE OTHER WERE ALSO A PARTY. BY THE FALL OF 1972, IMPORTS HAD SHOWN NO SIGNS OF MODERATING. INDUSTRY COMPLAINTS CONTINUED, AND IN FEBRUARY 1973, THE PRESIDENT ASKED THE TARIFF COMMISSION TO INVESTIGATE THE SITUATION. LAST MAY, A MAJORITY OF THE COMMISSIONERS FOUND THAT THERE WERE GROUNDS FOR SERIOUS CONSIDERATION OF MEASURES TO RELIEVE THE DOMESTIC INDUSTRY (SEE REPORT NO. 332-72).

4. THE TARIFF COMMISSION REPORT WAS REVIEWED BY AN INTER-AGENCY COMMITTEE AND A DECISION WAS MADE AT A HIGH LEVEL THAT WHILE A FORMAL AGREEMENT INCLUDING IMPLEMENTING REGULATIONS, USING THE FULL EXTENT OF THE AUTHORITY GRANTED IN SECTION 204, WAS NOT APPROPRIATE AT THIS TIME, THE SITUATION WARRANTED SOME KIND OF REMEDIAL ACTION. THEREFORE, IT WAS DECIDED THAT THE ROC AND THE ROK SHOULD BE REQUESTED TO RESTRAIN EXPORTS OF CANNED MUSHROOMS TO THE U.S.

5. DRAWING ON THE ABOVE TOGETHER WITH THE RELEVANT TABLES IN THE TARIFF COMMISSION REPORT AND THE MOST RECENT IMPORT DATA IN PARA. 8, BELOW, THE EMBASSY IS REQUESTED TO INITIATE DISCUSSIONS WITH APPROPRIATE HOST GOVERNMENT OFFICIALS WITH A VIEW TO OBTAINING A COMMITMENT TO RESTRAIN THE EXPORT OF CANNED MUSHROOMS TO THE U.S. SUCH A RESULT SHOULD BE ACHIEVED AS SOON AS POSSIBLE, BUT NO LATER THAN NOVEMBER 15, 1973, SO THAT TRADERS MAY MAKE THE NECESSARY ADJUSTMENTS FOR THE COMING YEAR.

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6. THE TERMS OF SUCH AN AGREEMENT SHOULD BE AS FOLLOWS:

(A) DURATION: THREE YEARS BEGINNING JANUARY 1, 1974.

(B) INITIAL BASE PERIOD TOTAL:

ROC-31.2 MILLION POUNDS DRAINED WEIGHT

ROK-12.3 MILLION POUNDS DRAINED WEIGHT

(THESE FIGURES REPRESENT AN AVERAGE OF CALENDAR 1972 AND PROJECTED CALENDAR 1973 IMPORTS.)

(C) GROWTH RATE-

1974 - 5 PERCENT ABOVE THE INITIAL BASE PERIOD

1975 - 6 PERCENT ABOVE THE ASSIGNED 1974 LEVEL

1976 - 7 PERCENT ABOVE THE ASSIGNED 1975 LEVEL

SHOULD THE ASSIGNED IMPORT LEVEL NOT BE ATTAINED IN A GIVEN YEAR, THE SHORTFALL WOULD NOT BE ADDED TO THE FOLLOWING YEAR'S ASSIGNED LEVEL. (THE RATIONALE FOR THESE GROWTH RATES DERIVES FROM THE TREND IN DOMESTIC INDUSTRY SALES AND THE HEAVY INVENTORIES ON HAND AT THE END OF 1972. FIVE PERCENT IS LESS THAN THE AVERAGE GROWTH RATE IN DOMESTIC SALES AND IS DEEMED NECESSARY TO PERMIT THE RESTORATION OF INVENTORIES TO MORE NORMAL LEVELS. THE HIGHER 1975 AND 1976 GROWTH RATES WOULD BE APPROXIMATELY THOSE EXPERIENCED BY U.S. PRODUCERS IN RECENT YEARS.)

(D) THE EMBASSY MAY DISCLOSE DETAILS OF THE ABOVE TERMS TO THE OTHER COUNTRY.

7. THE EMBASSY SHOULD IMPRESS ON THEIR INTERLOCUTORS THAT ANY SHARP INCREASE IN EXPORTS (UPWARD DEVIATION FROM THE NORMAL SEASONAL PATTERN OF PEAKS IN THE APRIL-JUNE QUARTER AND TROUGHS IN THE OCTOBER-DECEMBER QUARTER) DURING THE REMAINDER OF 1973 FOR WHATEVER REASON WILL ONLY INCREASE PRESSURES FOR MORE STRINGENT RESTRAINTS AND WILL NOT INCREASE THE BASE-YEAR TOTALS.

8. THE TARIFF COMMISSION REPORT (NO. 332-72) CONTAINS BACKGROUND MATERIAL ON THE DEVELOPMENT OF IMPORTS OVER THE MOST RECENT FIVE-YEAR PERIOD. TABLES 4, 7, 8, 9, 19, 20 CONTAIN SALES, IMPORT, PRICE AND PROFIT DATA. IMPORTS FROM THE ROC DURING THE FIRST SEVEN MONTHS OF 1973 TOTALED 16.7 MILLION POUNDS. FOR THE ROK THE COMPARABLE FIGURE IS 9.2 MILLION POUNDS. IMPORTS FOR THE 1972/73 CROP YEAR WERE 48.2 MILLION POUNDS.

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9. ADDITIONAL BACKGROUND MATERIAL IS BEING POUCHED.
ROGERS UNQUOTE KISSINGER

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